

CITY OF PANORA

Panora, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2012

With Independent Auditor's Reports

CITY OF PANORA

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CITY OF PANORA
City Officials
June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Prior to January 1, 2012</u>		
Steve Baker	Mayor	December 31, 2011
David Beidelman	Mayor Pro Tem	December 31, 2011
Mark Humphreys	Council Member	December 31, 2011
Pat Parker	Council Member	December 31, 2013
Steve Pote	Council Member	December 31, 2013
Mark Vogel	Council Member	December 31, 2013
Lisa Grossman	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite
<u>Subsequent to December 31, 2011</u>		
Pat Parker	Mayor	December 31, 2015
Steve Pote	Mayor Pro Tem	December 31, 2013
Andrew Carson	Council Member	December 31, 2015
Stewart Firebaugh	Council Member	December 31, 2015
Mike Moore	Council Member	December 31, 2013
Mark Vogel	Council Member	December 31, 2013
Lisa Grossman	Clerk/Administrator	Indefinite
Joyce Calmer	Treasurer	Indefinite
Jeffrey Bump	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Panora, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents of this report. These financial statements are the responsibility of City officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described more fully in Note 1, the financial statements referred to above have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa as of June 30, 2012 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 15, 2013 on my consideration of the City of Panora's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Panora's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Other supplementary information included on pages 26 through 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

S/ Stanley E. Siebke

Urbandale, Iowa
January 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Panora's annual financial report provides management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 18%, or \$215,173, from fiscal 2011 to fiscal 2012. This was due to significant decreases in TIF revenues by \$75,456, as well as general miscellaneous revenues by \$163,837. Property tax revenues and other city taxes increased \$30,036 and \$15,867 respectively, while special assessments decreased \$30,873. Other city taxes include the local option sales tax.
- Disbursements increased 18% or \$190,492 in fiscal 2012 from fiscal 2011. This was primarily due to the start of a capital project during this fiscal year. Specifically, capital projects increased \$251,757. This increase was partially offset by small decreases in public safety, public works, culture and recreation, and community and economic development by \$29,927, \$37,754, \$522, and \$190 respectively. There was a slight increase to general government of \$4,078.
- The City's total cash basis net assets increased 85%, or \$2,032,978, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased \$1,970,234 while the assets of the business type activities increased by \$62,744. This large increase was the result of a bond sale in anticipation of a capital project to build a new public building complex.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information as follows:

- The "Management's Discussion and Analysis" introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The "Government-wide Financial Statement" consists of a "Statement of Activities and Net Assets." This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The "Fund Financial Statements" tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- “Other Information” further explains and supports the financial statements with a comparison of the City’s budget for the year.
- “Other Supplementary Information” provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORT OF THE CITY’S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City’s net assets. Over time, increases or decreases in the City’s net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the City’s electric utility, water utility, the sanitary sewer system, solid waste/recycling operations, ambulance and the storm sewer. These activities are all financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City’s basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment Funds, 3) the Debt Service Fund, and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

Proprietary funds account for the City's Enterprise Funds, which are the City's business type activities. The City maintains six Enterprise Funds to provide separate information for the water, sewer, electric, solid waste, ambulance and storm sewer funds, considered to be major funds of the City. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$1,970,234 from a year ago, from \$910,861 to \$2,881,095. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Years Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Property tax	\$ 542,485	512,449
TIF revenues	52,379	127,835
Other city taxes	87,676	71,809
Licenses and permits	3,241	3,908
Use of money and property	14,125	19,560
Intergovernmental	218,356	202,474
Charges for services	5,054	5,744
Special assessments	21,389	52,262
Miscellaneous	59,609	223,446
Total Receipts	<u>1,004,314</u>	<u>1,219,487</u>
Disbursements:		
Operating:		
Public safety	224,158	228,709
Public works	114,511	118,265
Culture and recreation	103,232	103,754
Community and economic development	56,162	56,352
General government	67,518	63,440
Capital outlay:		
Public safety	0	25,376
Public works	0	34,000
Debt service	164,112	161,062
Capital projects	494,386	242,629
Total Disbursements	<u>1,224,079</u>	<u>1,033,587</u>
Excess (Deficit) of Receipts over (under) Disbursements	(219,765)	185,900
Other Financing Sources:		
Proceeds of long-term debt	2,152,644	0
Transfers	<u>37,355</u>	<u>(52,946)</u>
Increase in Cash Basis Net Assets	1,970,234	132,954
Cash Basis Net Assets at Beginning of Year	910,861	777,907
Cash Basis Net Assets at End of Year	<u>\$ 2,881,095</u>	<u>910,861</u>

The City's total receipts for governmental activities decreased by 18%, or \$215,173. The total cost of all programs and services increased by \$190,492, or 18%.

The cost of all governmental activities this year was \$1,224,079 compared to \$1,033,587 last year. As shown in the Statement of Activities and Net Assets on pages 11-12, the amount taxpayers ultimately financed for these activities was \$936,873 because some of the cost was paid by those who directly benefited from the programs (\$7,834) or by other governments and organizations that subsidized certain programs with grants and contributions (\$279,372).

Change in Cash Basis Net Assets of Business Type Activities

	Years Ended June 30,	
	<u>2012</u>	<u>2011</u>
Operating Receipts:		
Charges for service:		
Water	\$ 474,743	454,523
Sewer	275,055	276,561
Electric	1,326,750	1,298,431
Garbage	50,125	50,058
Landfill	24,777	25,067
Ambulance	353,423	340,604
Storm sewer	68,238	66,879
Intergovernmental receipts	19,894	9,928
Total Operating Receipts	<u>2,593,005</u>	<u>2,522,051</u>
Operating Disbursements:		
Business type activities:		
Water	325,518	304,264
Sewer	215,332	200,341
Electric	1,412,569	1,284,541
Garbage	41,184	40,939
Landfill	20,483	21,239
Ambulance	329,358	426,340
Storm sewer	15,897	7,187
Total Operating Disbursements	<u>2,360,341</u>	<u>2,284,851</u>
Excess of Operating Receipts over Operating Disbursements	<u>232,664</u>	<u>237,200</u>
Total Non-Operating Receipts (Disbursements)	<u>(169,920)</u>	<u>(190,497)</u>
Net Change in Cash Balances	62,744	46,703
Cash Basis Net Assets at Beginning of Year	1,486,579	1,439,876
Cash Basis Net Assets at End of Year	<u>\$ 1,549,323</u>	<u>1,486,579</u>

Total business type activities receipts for the fiscal year were \$2,593,005 compared to \$2,522,051 last year. This increase was due primarily to a rate increase in the electric fund. The receipt of water, sewer, storm water receipts, proceeds of long-term debt and transfers from governmental funds remained steady from the previous fiscal year. Total disbursements for the fiscal year decreased by less than 1% to a total of \$2,524,336.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Panora completed the year, its governmental funds reported a combined fund balance of \$2,881,095, an increase of \$1,970,234 from last year's total of \$910,861. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Capital Projects Fund increased from \$77,782 to \$1,891,868, which was the major reason for the increase in the governmental funds. The increase was the result of a bond sale in anticipation of building a public building complex, as well as purchasing two fire trucks, and a utility truck for the electric department.
- In addition there were also increases in property tax revenue, other city taxes, and intergovernmental. The changes were \$30,036, \$15,867, and \$15,882 respectively. The major decreases were in TIF revenues received and miscellaneous charges, decreases of \$75,456 and \$163,837. Licenses and permits, use of money and property, charges for services, and special assessments all decreased from last year as well.
- The General Fund cash balance increased \$113,289 from the prior year to \$519,821. One reason the General Fund increased was the collection of property tax monies from the rural townships for fire protection.
- The Road Use Tax Fund cash balance increased by \$10,881 to \$34,425 during the fiscal year. This increase was due to cost saving measures for future street improvements.
- The Debt Service Fund increased by \$37,543 to \$87,889 due to assessments being collected from sidewalk improvements done during the Highway 44 project. This revenue will be used to pay down the 2010 GO bond in the future.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$46,800 to \$330,103. This was due in part to planned rate increases for future planned improvements and plant upgrades as well as cost saving measures.
- The Sewer Fund cash balance increased by \$41,158 to \$241,473. The additional revenue will be used for planned improvements to the sewer system.
- The Electric Fund cash balance decreased by \$82,629 to \$681,256 due to needed upgrades within the electric system. A significant portion of overhead electric lines were buried in ground which decreases potential outages due to weather.
- The Garbage Fund cash balance increased by \$8,941 to \$62,516 and the Landfill cash balance increased by \$4,294 to \$45,044. These amounts show that the City charges for these services are matching the costs paid to outside contractors.
- The Storm Water cash balance has increased by \$25,221 to \$139,188. This is due to increased storm water rates for planned storm water projects that are in design currently.

- The Ambulance Fund cash balance has increased by \$18,959 to \$49,743. The department has contracts for service with local towns in addition to charging for services. Rates were also increased slightly to remain competitive with other services in the area.

BUDGETARY HIGHLIGHTS

The City amended its budget for additional disbursements in certain City departments. The amendment was approved on May 29, 2012 and resulted in an increase in operating disbursements related to various operational cost overruns. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$4,624,991 in bonds and other long-term debt, compared to \$2,653,956 last year, as shown below.

Outstanding Debt at Year End		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
General obligation bonds	\$ 3,790,000	1,795,000
Revenue bonds	834,991	858,956
	<u>\$ 4,624,991</u>	<u>2,653,956</u>

General obligation debt increased as a result of new debt being issued for a capital project and the purchase of equipment. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. Because \$1,945,000 of the City's general obligation bonds are considered to be annual appropriation debt, the remaining general obligation debt of \$1,845,000 is below the constitutional debt limit of \$2,794,949.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Panora's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for various City activities. One of these factors is the economy. The unemployment rate in Guthrie County of 5.4% is slightly above the State's unemployment rate of 5.2% and below the National rate of 8.3%.

Inflation in the State during fiscal year 2012 was similar to the national level. The National CPI increase was 1.7% for the fiscal year 2012.

While property taxes are important to the City, they constitute approximately 15.1% of total program resources excluding other financing sources. TIF revenues comprised 1.5% of revenues. The largest revenue source, at over 71% comes from fees and charges for services which includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly, including periodic cost of service studies for its utility operations. Water rates have been and will be steadily increased, as the City has adopted an ordinance that increases water rates each year for the next several years. Sewer rates also are being raised. Electric rates need to be raised to make up for the losses that the Electric Department has seen due to large increases in the cost of wholesale electricity. Unfortunately, interest revenues were down this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Grossman, City Administrator, 102 NW 2nd Street, Panora, Iowa.

CITY OF PANORA
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2012

Function / Programs:	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 224,158	2,780	96,569	0
Public works	114,511	0	106,613	0
Culture and recreation	103,232	4,780	17,116	0
Community and economic development	56,162	0	37,818	0
General government	67,518	274	0	0
Debt service	164,112	0	0	0
Capital projects	494,386	0	0	21,256
Total Governmental Activities	<u>1,224,079</u>	<u>7,834</u>	<u>258,116</u>	<u>21,256</u>
Business type activities:				
Water	443,828	474,743	0	0
Sewer	233,897	275,055	0	0
Electric	1,412,569	1,326,750	1,430	0
Garbage	41,184	50,125	0	0
Landfill	20,483	24,777	0	0
Ambulance	329,358	353,423	19,894	0
Storm water	43,017	68,238	0	0
Total Business Type Activities	<u>2,524,336</u>	<u>2,573,111</u>	<u>21,324</u>	<u>0</u>
Total	<u>\$ 3,748,415</u>	<u>2,580,945</u>	<u>279,440</u>	<u>21,256</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Proceeds of long-term debt				
Miscellaneous				
Transfers				
Total General Receipts				
Change in Cash Basis Net Assets				
Cash Basis Net Assets at Beginning of Year				
Cash Basis Net Assets at End of Year				
Cash Basis Net Assets:				
Restricted:				
Nonexpendable - Permanent Fund				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total Cash Basis Net Assets				

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended June 30, 2012

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
(124,809)	0	(124,809)
(7,898)	0	(7,898)
(81,336)	0	(81,336)
(18,344)	0	(18,344)
(67,244)	0	(67,244)
(164,112)	0	(164,112)
(473,130)	0	(473,130)
<u>(936,873)</u>	<u>0</u>	<u>(936,873)</u>
0	30,915	30,915
0	41,158	41,158
0	(84,389)	(84,389)
0	8,941	8,941
0	4,294	4,294
0	43,959	43,959
0	25,221	25,221
<u>0</u>	<u>70,099</u>	<u>70,099</u>
<u>(936,873)</u>	<u>70,099</u>	<u>(866,774)</u>
379,020	0	379,020
52,379	0	52,379
163,465	0	163,465
87,676	0	87,676
14,125	0	14,125
2,152,644	30,000	2,182,644
20,443	0	20,443
37,355	(37,355)	0
<u>2,907,107</u>	<u>(7,355)</u>	<u>2,899,752</u>
1,970,234	62,744	2,032,978
910,861	1,486,579	2,397,440
<u>\$ 2,881,095</u>	<u>1,549,323</u>	<u>4,430,418</u>
\$ 25,814	0	25,814
34,425	0	34,425
242,610	0	242,610
87,889	111,750	199,639
1,970,536	0	1,970,536
519,821	1,437,573	1,957,394
<u>\$ 2,881,095</u>	<u>1,549,323</u>	<u>4,430,418</u>

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2012

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 285,598	0	163,465
TIF revenues	0	0	0
Other city taxes	0	0	0
Licenses and permits	3,241	0	0
Use of money and property	14,125	0	0
Intergovernmental	109,898	106,613	0
Charges for services	4,239	0	0
Special assessments	0	0	0
Miscellaneous	6,018	1,459	0
Total Receipts	<u>423,119</u>	<u>108,072</u>	<u>163,465</u>
Disbursements:			
Operating:			
Public safety	173,505	0	0
Public works	0	97,191	0
Culture and recreation	74,758	0	0
Community and economic development	0	0	0
General government	56,567	0	0
Debt service	0	0	164,112
Capital projects	0	0	0
Total Disbursements	<u>304,830</u>	<u>97,191</u>	<u>164,112</u>
Excess (Deficit) of Receipts over (under) Disbursements	<u>118,289</u>	<u>10,881</u>	<u>(647)</u>
Other Financing Sources (Uses)			
Proceeds of long-term debt	0	0	0
Transfers In (Out)	(5,000)	0	38,190
Total Other Financing Sources	<u>(5,000)</u>	<u>0</u>	<u>38,190</u>
Net Change in Cash Balances	113,289	10,881	37,543
Cash Balances at Beginning of Year	406,532	23,544	50,346
Cash Balances at End of Year	<u>\$ 519,821</u>	<u>34,425</u>	<u>87,889</u>
Cash Basis Fund Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for:			
Urban renewal purposes	0	0	0
Debt service	0	0	87,889
Streets	0	34,425	0
Other purposes	0	0	0
Unassigned	519,821	0	0
Total Cash Basis Fund Balances	<u>\$ 519,821</u>	<u>34,425</u>	<u>87,889</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2012

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
0	93,422	542,485
0	52,379	52,379
0	87,676	87,676
0	0	3,241
0	0	14,125
0	1,845	218,356
0	815	5,054
21,256	133	21,389
10,000	42,132	59,609
<u>31,256</u>	<u>278,402</u>	<u>1,004,314</u>
0	50,653	224,158
0	17,320	114,511
0	28,474	103,232
0	56,162	56,162
0	10,951	67,518
0	0	164,112
494,386	0	494,386
<u>494,386</u>	<u>163,560</u>	<u>1,224,079</u>
<u>(463,130)</u>	<u>114,842</u>	<u>(219,765)</u>
2,152,644	0	2,152,644
124,572	(120,407)	37,355
<u>2,277,216</u>	<u>(120,407)</u>	<u>2,189,999</u>
1,814,086	(5,565)	1,970,234
77,782	352,657	910,861
<u>1,891,868</u>	<u>347,092</u>	<u>2,881,095</u>
0	25,814	25,814
0	242,610	242,610
0	0	87,889
0	0	34,425
1,891,868	78,668	1,970,536
0	0	519,821
<u>1,891,868</u>	<u>347,092</u>	<u>2,881,095</u>

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balaces - Proprietary Funds
As of and For the Year Ended June 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:			
Charges for services	\$ 471,943	275,055	1,309,811
Intergovernmental receipts	0	0	0
Miscellaneous	2,800	0	16,939
Total Operating Receipts	<u>474,743</u>	<u>275,055</u>	<u>1,326,750</u>
Disbursements:			
Operating:			
Business type activities	325,518	215,332	1,412,569
Total Operating Disbursements	<u>325,518</u>	<u>215,332</u>	<u>1,412,569</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>149,225</u>	<u>59,723</u>	<u>(85,819)</u>
Non-Operating Receipts (Disbursements)			
Use of money and property - interest	0	0	1,430
Proceeds of long-term debt	30,000	0	0
Transfers	(14,115)	0	1,760
Debt service	(118,310)	(18,565)	0
Total Non-Operating Receipts (Disbursements)	<u>(102,425)</u>	<u>(18,565)</u>	<u>3,190</u>
Net Change in Cash Balances	46,800	41,158	(82,629)
Cash Balances at Beginning of Year	283,303	200,315	763,885
Cash Balances at End of Year	<u>\$ 330,103</u>	<u>241,473</u>	<u>681,256</u>
Cash Basis Fund Balances:			
Restricted for debt service	\$ 75,000	36,750	0
Unrestricted	255,103	204,723	681,256
Total Cash Basis Fund Balances	<u>\$ 330,103</u>	<u>241,473</u>	<u>681,256</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PANORA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2012

Enterprise Funds

<u>Garbage</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Storm Water</u>	<u>Total</u>
50,125	24,777	352,083	68,238	2,552,032
0	0	19,894	0	19,894
0	0	1,340	0	21,079
<u>50,125</u>	<u>24,777</u>	<u>373,317</u>	<u>68,238</u>	<u>2,593,005</u>
41,184	20,483	329,358	15,897	2,360,341
<u>41,184</u>	<u>20,483</u>	<u>329,358</u>	<u>15,897</u>	<u>2,360,341</u>
8,941	4,294	43,959	52,341	232,664
0	0	0	0	1,430
0	0	0	0	30,000
0	0	(25,000)	0	(37,355)
0	0	0	(27,120)	(163,995)
<u>0</u>	<u>0</u>	<u>(25,000)</u>	<u>(27,120)</u>	<u>(169,920)</u>
8,941	4,294	18,959	25,221	62,744
53,575	40,750	30,784	113,967	1,486,579
<u>62,516</u>	<u>45,044</u>	<u>49,743</u>	<u>139,188</u>	<u>1,549,323</u>
0	0	0	0	111,750
62,516	45,044	49,743	139,188	1,437,573
<u>62,516</u>	<u>45,044</u>	<u>49,743</u>	<u>139,188</u>	<u>1,549,323</u>

CITY OF PANORA
Notes to the Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Panora is a political subdivision of the State of Iowa located in Guthrie County. The City operates under the Mayor-Council form of government with the mayor and council members elected on a non-partisan basis.

Reporting Entity

For financial reporting purposes, the City of Panora has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

The City of Panora has no component units.

The City also participates in jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following commission: Guthrie County Regional Airport Authority.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF PANORA
Notes to the Financial Statements – Continued

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvements costs that are not paid through other funds.

Special Revenue Funds

The Road Use Tax Fund is used to account for road construction and maintenance.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of principal and interest on the City's general long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used for the acquisition or construction of capital facilities.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Electric Fund – The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

Ambulance Fund – The Ambulance fund accounts for the operation and maintenance of the City's rescue unit.

Measurement Focus and Basis of Accounting

The City of Panora maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

CITY OF PANORA
Notes to the Financial Statements – Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by grantors, creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the economic development, debt service, capital projects and business type activity functions.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF PANORA
Notes to the Financial Statements – Continued

(3) Long-Term Debt

A summary of the City's June 30, 2012 general obligation and revenue bond indebtedness is as follows:

Year Ending June 30.	Interest Rates	General Obligation Bonds		Water Revenue Bonds		Sewer Revenue Bond		Storm Water Revenue Note		Total
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	2.00 - 4.80%	\$ 265,000	112,734	113,860	10,185	12,000	5,700	17,524	9,596	546,599
2014	2.25 - 4.90	310,000	108,000	119,900	5,805	13,000	5,340	18,374	8,746	589,165
2015	2.25 - 4.75	260,000	101,026	46,240	1,080	13,000	4,950	19,266	7,854	453,416
2016	2.25 - 4.75	250,000	94,276	0	0	13,000	4,560	20,202	6,918	388,956
2017	2.25 - 4.75	255,000	87,713	0	0	14,000	4,170	21,183	5,937	388,003
		<u>1,340,000</u>	<u>503,749</u>	<u>280,000</u>	<u>17,070</u>	<u>65,000</u>	<u>24,720</u>	<u>96,549</u>	<u>39,051</u>	<u>2,366,139</u>
2018-2022	2.25 - 4.75	1,405,000	324,588	0	0	75,000	14,370	113,442	13,278	1,945,678
2023-2027	3.15 - 4.00	1,045,000	90,566	0	0	50,000	3,030	0	0	1,188,596
		<u>\$ 3,790,000</u>	<u>918,903</u>	<u>280,000</u>	<u>17,070</u>	<u>190,000</u>	<u>42,120</u>	<u>209,991</u>	<u>52,329</u>	<u>5,500,413</u>

Interest paid on General Obligation Bonds amounted to \$58,612, interest paid on Water Revenue Bonds amounted to \$14,465, interest paid on Sewer Revenue Bonds amounted to \$6,060, and interest paid on Storm Water Revenue Notes amounted to \$10,411. All of these amounts were charged to expense.

Assets restricted for the payment of bonds and notes at June 30, 2012 are as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	\$ 87,889
Water Revenue Bonds	75,000
Sewer Revenue Bonds	36,750
	<u>\$ 199,639</u>

The Water Revenue Bonds provide for annual transfers to the Water Sinking Fund from the Water Revenue Fund sufficient to cover the annual principal and interest payments on the Water Revenue Bonds. The Sewer Revenue Bond provides for annual transfers from the Sewer Revenue Fund to the Sewer Sinking Fund sufficient to cover the annual principal and interest payments on the Sewer Revenue Bond. The Storm Sewer Revenue Note provides for annual transfers from the Storm Water Revenue Fund to the Storm Water Sinking Fund sufficient to cover the annual principal and interest payments on the Storm Water Revenue Note. Minimum annual sinking fund requirements are as follows:

Year Ending June 30.	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
2013	\$ 124,045	17,700	27,120
2014	125,705	18,340	27,120
2015	47,320	17,950	27,120
2016	0	17,560	27,120
2017	0	18,170	27,120
	<u>297,070</u>	<u>89,720</u>	<u>135,600</u>
2017-2022	0	89,370	126,720
2023-2025	0	53,030	0
	<u>\$ 297,070</u>	<u>232,120</u>	<u>262,320</u>

CITY OF PANORA
Notes to the Financial Statements – Continued

(4) Water Project Anticipation Loan

On November 12, 2009, the City of Panora entered into an agreement to borrow up to \$155,000 to finance improvements to the City's water plant. The loan agreement carries no interest rate. During the year ended June 30, 2011, the City received proceeds of \$77,256 on the anticipation loan and during the year ended June 30, 2012, the City received the balance of \$77,744. This balance of \$155,000 was paid on October 19, 2012 with the proceeds of a permanent loan in the amount of \$1,678,000 which carries an interest rate of 1.75% and an annual servicing fee of .25% to be paid in annual principal payments through 2033.

(5) Retirement System – IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$60,516, \$50,396, and \$40,241, respectively, equal to the required contributions for each year.

(6) General Long-Term Debt Account Group

Changes in the general long-term debt account group for the year ended June 30, 2012 are as follows:

Balance at beginning of the year	\$ 1,795,000
New loans issued	2,100,000
Principal payments during the year	(105,000)
Balance at end of the year	<u>\$ 3,790,000</u>

(7) Compensated Absences

City employees accumulate vacation, sick leave and personal leave hours for subsequent use or vacation may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2012 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$114,720
Vacation	33,228
Personal leave	38,038
	<u>\$185,986</u>

The liability has been computed based on rates of pay as of June 30, 2012.

(8) Risk Management

The City of Panora is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF PANORA
Notes to the Financial Statements – Continued

(9) Property Tax Calendar

Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2012, disbursements in the community and economic development, debt service, capital projects, and business type activities programs exceeded the amounts budgeted.

(11) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
TIF - Low/Mod Housing	TIF - NW Terra Vista	\$ 10,736
Debt Service	TIF - NE	10,635
	Capital Projects	27,555
		<u>38,190</u>
Capital Projects	Local Option Sales Tax	70,000
	Central TIF	36,315
	Water Revenue	14,115
	Electric Revenue	6,697
	Ambulance Revenue	25,000
		<u>152,127</u>
Electric Revenue	General	5,000
	Police Forfeiture	3,457
		<u>8,457</u>
		<u>\$ 209,510</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(12) Commitments

At June 30, 2012, the City had commitments on open construction contracts totaling \$1,387,351 and \$445,927 for the purchase of equipment. Subsequent to June 30, 2012, the City also committed to a construction contract in the amount of \$1,809,000.

(13) Major Customer

The Enterprise funds of the City of Panora have one major customer which accounted for 10.7% of the utility billings during the year ended June 30, 2012.

CITY OF PANORA
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2012

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 542,485	0	542,485
TIF revenues	52,379	0	52,379
Other city taxes	87,676	0	87,676
Licenses and permits	3,241	0	3,241
Use of money and property	14,125	1,430	15,555
Intergovernmental	218,356	19,894	238,250
Charges for services	5,054	2,573,111	2,578,165
Special assessments	21,389	0	21,389
Miscellaneous	59,609	0	59,609
Other financing sources	2,189,999	30,000	2,219,999
Total Receipts	<u>3,194,313</u>	<u>2,624,435</u>	<u>5,818,748</u>
Disbursements:			
Public safety	224,158	0	224,158
Public works	114,511	0	114,511
Culture and recreation	103,232	0	103,232
Community and economic development	56,162	0	56,162
General government	67,518	0	67,518
Debt service	164,112	0	164,112
Capital projects	494,386	0	494,386
Business type activities	0	2,524,336	2,524,336
Other financing uses	0	37,355	37,355
Total Disbursements	<u>1,224,079</u>	<u>2,561,691</u>	<u>3,785,770</u>
Excess (Deficit) of Receipts over (under) Disbursements	1,970,234	62,744	2,032,978
Balances at Beginning of Year	910,861	1,486,579	2,397,440
Balances at End of Year	<u>\$ 2,881,095</u>	<u>1,549,323</u>	<u>4,430,418</u>

CITY OF PANORA
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2012

<u>Budgeted Amounts</u>		<u>Variance</u>
<u>Original</u>	<u>Amended</u>	<u>to Final</u>
538,311	538,311	4,174
47,432	47,432	4,947
95,716	95,716	(8,040)
3,150	3,150	91
37,925	37,925	(22,370)
126,160	154,760	83,490
2,396,759	2,460,759	117,406
25,000	25,000	(3,611)
0	40,800	18,809
212,776	322,883	1,897,116
<u>3,483,229</u>	<u>3,726,736</u>	<u>2,092,012</u>
236,225	243,225	19,067
118,993	118,993	4,482
117,211	117,220	13,988
67,432	20,000	(36,162)
56,850	73,550	6,032
330,000	164,000	(112)
0	250,000	(244,386)
2,166,931	2,484,431	(39,905)
212,776	322,883	285,528
<u>3,306,418</u>	<u>3,794,302</u>	<u>8,532</u>
176,811	(67,566)	2,100,544
2,081,955	2,081,955	315,485
<u>2,258,766</u>	<u>2,014,389</u>	<u>2,416,029</u>

CITY OF PANORA
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, The Special Revenue Funds, The Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$243,507 and budgeted disbursements by \$487,884. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the community and economic development, debt service, capital projects and business type activities functions.

CITY OF PANORA
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2012

	Veterans <u>Auditorium</u>	Police <u>Forfeiture</u>	Employee <u>Benefits</u>	Local Option <u>Sales Tax</u>	<u>Special Revenue</u> TIF - NW
Receipts:					
Property tax	\$ 19,971	0	73,451	0	0
TIF revenues	0	0	0	0	209
Other city taxes	0	0	0	87,676	0
Intergovernmental	0	0	0	0	0
Charges for services	815	0	0	0	0
Special assessments	0	0	0	0	0
Miscellaneous	0	2,660	0	0	0
Total Receipts	<u>20,786</u>	<u>2,660</u>	<u>73,451</u>	<u>87,676</u>	<u>209</u>
Disbursements:					
Operating:					
Public safety	0	180	50,473	0	0
Public works	0	0	17,320	0	0
Culture and recreation	7,588	0	18,368	0	0
Community and economic development	0	0	0	15,488	0
General government	0	0	10,951	0	0
Total Disbursements	<u>7,588</u>	<u>180</u>	<u>97,112</u>	<u>15,488</u>	<u>0</u>
Excess (Deficit) of Receipts over (under) Disbursements	13,198	2,480	(23,661)	72,188	209
Operating transfers in (out)	<u>0</u>	<u>(3,457)</u>	<u>0</u>	<u>(70,000)</u>	<u>0</u>
Net Change in Cash Balances	13,198	(977)	(23,661)	2,188	209
Cash Balances at Beginning of Year	16,712	1,800	48,560	20,848	97,293
Cash Balances at End of Year	<u>\$ 29,910</u>	<u>823</u>	<u>24,899</u>	<u>23,036</u>	<u>97,502</u>
Cash Basis Fund Balances:					
Nonspendable - Permanent Fund	\$ 0	0	0	0	0
Restricted for:					
Urban renewal purposes	0	0	0	0	97,502
Other purposes	29,910	823	24,899	23,036	0
	<u>\$ 29,910</u>	<u>823</u>	<u>24,899</u>	<u>23,036</u>	<u>97,502</u>

CITY OF PANORA
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2012

<u>TIF - Low/Mod Housing</u>	<u>TIF - NE</u>	<u>TIF - NW Terra Vista</u>	<u>TIF - Central</u>	<u>Economic Development</u>	<u>Permanent Trust and Agency</u>	<u>Total</u>
0	0	0	0	0	0	93,422
0	9,496	23,678	18,996	0	0	52,379
0	0	0	0	0	0	87,676
0	0	0	0	0	1,845	1,845
0	0	0	0	0	0	815
133	0	0	0	0	0	133
0	0	0	0	37,685	1,787	42,132
<u>133</u>	<u>9,496</u>	<u>23,678</u>	<u>18,996</u>	<u>37,685</u>	<u>3,632</u>	<u>278,402</u>
0	0	0	0	0	0	50,653
0	0	0	0	0	0	17,320
0	0	0	0	0	2,518	28,474
12,240	0	20,504	0	7,930	0	56,162
0	0	0	0	0	0	10,951
<u>12,240</u>	<u>0</u>	<u>20,504</u>	<u>0</u>	<u>7,930</u>	<u>2,518</u>	<u>163,560</u>
(12,107)	9,496	3,174	18,996	29,755	1,114	114,842
<u>10,736</u>	<u>(10,635)</u>	<u>(10,736)</u>	<u>(36,315)</u>	<u>0</u>	<u>0</u>	<u>(120,407)</u>
(1,371)	(1,139)	(7,562)	(17,319)	29,755	1,114	(5,565)
95,984	1,621	9,140	18,680	17,319	24,700	352,657
<u>94,613</u>	<u>482</u>	<u>1,578</u>	<u>1,361</u>	<u>47,074</u>	<u>25,814</u>	<u>347,092</u>
0	0	0	0	0	25,814	25,814
94,613	482	1,578	1,361	47,074	0	242,610
0	0	0	0	0	0	78,668
<u>94,613</u>	<u>482</u>	<u>1,578</u>	<u>1,361</u>	<u>47,074</u>	<u>25,814</u>	<u>347,092</u>

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
General Obligation Bonds	January 12, 2010	2.00 - 4.00%	\$ 2,060,000
Annual Appropriation Bond	June 7, 2012	2.25 - 3.60	2,100,000
Total General Obligation Bonds			
Revenue Bonds:			
Water	May 1, 2001	4.20 - 4.90	750,000
Water SRF	February 6, 2003	3.00	393,000
Water SRF Planning and Design	November 12, 2009	0.00	155,000
Panora State Bank	December 15, 2011	3.50	30,000
Sewer SRF	May 23, 2005	3.00	265,000
Storm Water	April 3, 2007	4.75	290,000
Total Revenue Bonds			
Total			

CITY OF PANORA
Schedule of Long-Term Debt and Interest
June 30, 2012

<u>Balance</u> <u>June 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Interest</u> <u>Paid</u>
\$ 1,795,000	0	105,000	1,690,000	58,612
0	2,100,000	0	2,100,000	0
<u>1,795,000</u>	<u>2,100,000</u>	<u>105,000</u>	<u>3,790,000</u>	<u>58,612</u>
215,000	0	70,000	145,000	10,325
138,000	0	33,000	105,000	4,140
77,256	77,744	0	155,000	0
0	30,000	0	30,000	0
<u>430,256</u>	<u>107,744</u>	<u>103,000</u>	<u>435,000</u>	<u>14,465</u>
202,000	0	12,000	190,000	6,060
226,700	0	16,709	209,991	10,411
<u>858,956</u>	<u>107,744</u>	<u>131,709</u>	<u>834,991</u>	<u>30,936</u>
<u>\$ 2,653,956</u>	<u>2,207,744</u>	<u>236,709</u>	<u>4,624,991</u>	<u>89,548</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2011

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>				
	<u>Issued 1-12-10</u>		<u>Annual Appropriation Bond</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2013	2.000%	\$ 110,000	2.25	155,000	265,000
2014	2.250	115,000	2.25	195,000	310,000
2015	3.000	120,000	2.25	140,000	260,000
2016	3.000	125,000	2.25	125,000	250,000
2017	3.250	130,000	2.25	125,000	255,000
2018	3.250	135,000	2.25	125,000	260,000
2019	3.375	140,000	2.25	130,000	270,000
2020	3.625	150,000	2.50	130,000	280,000
2021	3.750	155,000	2.75	140,000	295,000
2022	3.750	160,000	3.00	140,000	300,000
2023	3.875	170,000	3.15	145,000	315,000
2024	4.000	180,000	3.30	150,000	330,000
2025	--	--	3.40	155,000	155,000
2026	--	--	3.50	120,000	120,000
2027	--	--	3.60	125,000	125,000
		<u>\$ 1,690,000</u>		<u>2,100,000</u>	<u>3,790,000</u>

<u>Year Ending June 30,</u>	<u>Water Revenue Bonds</u>					
	<u>Issued 5-1-01</u>		<u>SRF</u>		<u>Panora State Bank</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	4.80%	\$ 70,000	3.00	34,000	3.50	9,860
2014	4.90	75,000	3.00	35,000	3.50	9,900
2015	--	--	3.00	36,000	3.50	10,240
2016	--	--	--	--	--	--
2017	--	--	--	--	--	--
2018	--	--	--	--	--	--
2019	--	--	--	--	--	--
2020	--	--	--	--	--	--
2021	--	--	--	--	--	--
2022	--	--	--	--	--	--
2023	--	--	--	--	--	--
2024	--	--	--	--	--	--
2025	--	--	--	--	--	--
		<u>\$ 145,000</u>		<u>105,000</u>		<u>30,000</u>

CITY OF PANORA
Bond and Note Maturities
June 30, 2011

<u>Total</u>	<u>Sewer Revenue Bond</u>		<u>Storm Water Revenue Note</u>	
	<u>SRF</u>		<u>Issued 4-3-07</u>	
	<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
113,860	3.00%	\$ 12,000	4.75%	\$ 17,524
119,900	3.00	13,000	4.75	18,374
46,240	3.00	13,000	4.75	19,266
--	3.00	13,000	4.75	20,202
--	3.00	14,000	4.75	21,183
--	3.00	14,000	4.75	22,211
--	3.00	15,000	4.75	23,289
--	3.00	15,000	4.75	24,420
--	3.00	15,000	4.75	25,605
--	3.00	16,000	4.75	17,917
--	3.00	16,000	--	--
--	3.00	17,000	--	--
--	3.00	17,000	--	--
<u>280,000</u>		<u>\$ 190,000</u>		<u>\$ 209,991</u>

CITY OF PANORA
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

		<u>Years Ended June 30</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:				
Property tax	\$ 542,485	512,449	507,787	501,249
TIF revenues	52,379	127,835	150,037	114,485
Other city taxes	87,676	71,809	84,333	79,835
Licenses and permits	3,241	3,908	5,334	2,630
Use of money and property	14,125	19,560	32,181	38,866
Intergovernmental	218,356	202,474	160,822	240,596
Charges for services	5,054	5,744	254,280	190,304
Special assessments	21,389	52,262	37,859	61,415
Miscellaneous	59,609	223,446	152,531	104,787
Total Receipts	<u>\$ 1,004,314</u>	<u>1,219,487</u>	<u>1,385,164</u>	<u>1,334,167</u>
Disbursements:				
Public safety	\$ 224,158	254,085	458,661	484,837
Public works	114,511	152,265	138,520	175,342
Culture and recreation	103,232	103,754	102,013	134,204
Community and economic development	56,162	56,352	64,030	78,317
General government	67,518	63,440	53,801	39,079
Debt service	164,112	161,062	1,009,655	196,744
Capital projects	494,386	242,629	1,358,593	242,965
Total Disbursements	<u>\$ 1,224,079</u>	<u>1,033,587</u>	<u>3,185,273</u>	<u>1,351,488</u>

CITY OF PANORA
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
476,040	464,399	425,105	444,863	427,169	399,894
130,558	116,406	102,883	88,637	77,625	65,783
76,002	104,390	108,819	78,978	9,030	3,343
3,178	6,736	10,131	6,669	4,798	2,803
45,219	37,654	39,248	30,878	17,908	38,369
227,321	292,020	215,729	212,240	159,865	165,769
150,418	79,111	61,506	38,231	39,742	23,245
32,736	19,780	19,356	20,174	20,992	19,961
47,810	20,169	22,557	29,560	12,880	52,299
<u>1,189,282</u>	<u>1,140,665</u>	<u>1,005,334</u>	<u>950,230</u>	<u>770,009</u>	<u>771,466</u>
372,386	306,271	251,007	242,114	259,610	198,135
188,907	129,862	163,879	136,035	139,149	128,168
186,068	119,611	160,321	99,237	100,852	92,896
95,575	146,287	104,469	84,081	49,755	23,829
71,433	37,908	25,042	31,790	28,306	98,943
144,905	150,702	151,223	151,465	165,916	169,050
1,182,071	128,191	38,580	82,142	0	0
<u>2,241,345</u>	<u>1,018,832</u>	<u>894,521</u>	<u>826,864</u>	<u>743,588</u>	<u>711,021</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Panora, Iowa

I have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Panora, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated January 15, 2013. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Panora's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Panora's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Panora's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompany Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies but none that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Panora's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Panora's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items 12-III-A, 12-III-D, 12-III-F and 12-III-H.

The City of Panora's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Panora's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Panora and other parties to whom the City of Panora may report. This report is not intended to be and should not be used by anyone other than those specified parties.

S/ Stanley E. Siebke

Urbandale, Iowa
January 15, 2013

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, but the item was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted.

Significant Deficiency

12-II-A Segregation of Duties

One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in cash receipts, bank deposits, utility billings, cash disbursements, general ledger accounting and bank reconciliations.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe that management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2012

Part III: Other Findings Related to Statutory Reporting

12-III-A Certified Budget

City expenditures during the year ended June 30, 2012 exceeded amounts budgeted therefore in the community and economic development, debt service, capital projects and business type activities programs. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: We will carefully monitor expenditures to avoid budget overruns.

Conclusion: Response accepted.

12-III-B Questionable Disbursements

I noted no expenditures for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

12-III-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

12-III-D Business Transactions

During the year ended June 30, 2012, the City made the following business transactions with City officials:

Baker Painting	Steve Baker	\$ 2,324
Danko Emergency Equipment	Steve Pote	4,338
Joyce Calmer		1,275
Scott's Outdoor Supply	Scott Calmer, spouse of Joyce Calmer	485

Since the payments to Danko Emergency equipment are in excess of \$2,500, they are in violation of Chapter 362.5(11) of the Code of Iowa.

Response: The City's policy is to purchase goods and services from local businesses when possible.

Conclusion: Response accepted.

12-III-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

CITY OF PANORA
Schedule of Findings
Year Ended June 30, 2012

12-III-F Council Minutes

No transactions were found that I believe should have been approved in the Council minutes but were not.

I did note occasions when the Council minutes were not published within fifteen days of the Council meeting in accordance with Chapter 372.13(b) of the Code of Iowa. In addition, the published Council minutes did not include the amount of disbursements from each fund or the summary of receipts. The City should publish the Council minutes and required information within fifteen days of the Council meeting.

Response: We will attempt to publish the Council minutes within fifteen days of the meeting and include all required items.

Conclusion: Response accepted.

12-III-G Water, Sewer, and Storm Water Revenue Bonds

The provisions of the resolutions for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

12-III-H Deposits and Investments

The City has adopted an appropriate resolution regarding the deposit of public funds in an approved financial institution. During the year ended June 30, 2012, the maximum deposit amount specified in the resolution was exceeded. I noted no other instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

Response: The maximum deposit amounts were increased in anticipation of higher deposit amounts but not by enough to meet needs during the current year. It is anticipated that the maximum deposit amount is sufficient for the foreseeable future.

Conclusion: Response accepted.